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7 August 1951

## MEMORANDUM FOR THE RECORD

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1. During the month of February, Mr. [ ] called on Mr. [ ] to inquire if a proposed change to Para 1.3 of the Confidential Funds Regulations, then being drafted, would have a hampering effect on OSO activities. As explained by [ ] the intent of the proposed change was to restrict activation of "covert operations" so that projects calling for new and significant involvements would receive DCI staff consideration as well as intra-Office approval.

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2. Mr. [ ] referred this matter to Messrs. [ ] and [ ] for consideration. After deliberation in Staff B, Messrs. [ ] and [ ] discussed the matter further with Mr. [ ] in his office. At that time he explained it was necessary to amend Confidential Funds Regulations to insure that matters of major policy were referred to the Director's staff prior to implementation. Mr. [ ] repeated that such amendments were not intended to alter present OSO procedures for the approval of OSO projects or for the submission of OSO budgetary requirements. In discussing this theme it was pointed out that the term "project" has several different meanings within CIA but that the definition set forth in Paragraph 9.0, Confidential Funds Regulations, dated 28 July 1950, applied to and is accepted by all elements of OSO.

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3. Thus, the revised Paragraph 1.3 subsequently issued on 23 March 1951, which states that "Area or activity projects must be approved by either the Director (or appropriate Deputy Director to the extent of his final authority) prior to the obligation of any funds for their implementation. Such projects not included in the approved annual budget of an Office, and expansion of such projects beyond the limitations of their approval and resultant allocation of funds, must be submitted for the action of the Project Review Committee prior to implementation" has had no impact on OSO activities. Previously this paragraph authorized Assistant Directors to "divert confidential funds allocated for overseas specific area or activity projects to meet essential requirements of any other overseas area." It is obvious that the revision has tightened control over expenditure of CIA funds but since the PRC reviews and approves OSO's overall budget in one hearing and as one project it has not been found necessary to change OSO's current practices.

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O.K. [ ] 11 Aug. '51  
(hand-written)

/s/

[ ]  
Liaison Control

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Chief, Administration